

May 13, 2003

Statement of the Honorable Rahm Emanuel

U.S. House of Representatives

Committee on Financial Services

Re: Testimony of the Secretary of the Treasury

Mr. Chairman, I would like to thank you for holding this important hearing on the Administration's international economic agenda and priorities. I also appreciate that our distinguished guest, Treasury Secretary John Snow, has taken the time to share his views with us on these topics.

While I am concerned about many of the topics Secretary Snow plans to discuss today, including our rebuilding efforts in Afghanistan and Iraq and our free trade efforts, I wanted to take this opportunity to focus on a critical issue I see here at home. The Internal Revenue Service recently announced plans to implement a "pre-certification" program for working Americans filing for the Earned Income Tax Credit. To date, the IRS has not consulted with the Congress or sought public comment on this proposal. Like many other Members of the House of Representatives, I hope the IRS will do so expeditiously.

As I stated in my May 6, 2003 letter to Secretary Snow, the EITC is the only benefit that makes a meaningful difference in the lives of tax filers with the lowest incomes. By any measure, the EITC has been one of the key factors in lifting millions of poor Americans out of poverty. With corporations using the tax code to distort the free market to the tune of billions of dollars a year, I am mystified as to why the Administration has focused its enforcement efforts on those who file for the EITC. Further, the estimated \$100 million cost of implementing these changes could be spent far more effectively if it were directed toward reducing corporate tax abuses, such as those resulting from U.S. corporations incorporating with a mailbox in offshore tax havens, while keeping their employees and major operations here. Or these funds could be dedicated to addressing the health care crisis in America, as the Administration continues rewarding lucrative contracts for rebuilding Iraq.

The EITC stimulates local economies as it helps families. In Chicago alone, tax filers received \$462.7 million in tax year 2000 through the EITC. Those dollars translate into payments for homes, cars, and education. These tax filers represent some of the hardest working members of our society. Before targeting these individuals, we should address the egregious corporate welfare provisions that riddle the tax code and bestow tax breaks and subsidies on profitable companies who need them the least.

Mr. Chairman, any EITC overpayments can be rectified in a manner that assists deserving tax filers. One solution is the Simplified Family Tax Credit, which I have proposed and is being discussed among my colleagues. I look forward to working with my colleagues in Congress and with the Administration to make the tax code more progressive, simple and family-friendly.

